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FOR IMMEDIATE RELEASE

Terry Goddard Cites High Cost of Tax Refund Loans

(Phoenix, Ariz. – March 18, 2008) Attorney General Terry Goddard today advised consumers to be wary of “refund anticipation” or tax refund loans. These loans are secured by and repaid from pending income tax refunds. Money from these loans may be available a few days sooner than the tax refunds arrive, but consumers can expect to pay very high fees to borrow their own money.

Refund anticipation loans (RAL) are short-term loans. According to a 2006 report by the Consumer Federation of America and the National Consumer Law Center, these loans on average cost \$100 in interest, depending on the size of the refund. This means the annual percentage interest rates range from about 40 percent to over 700 percent – not a great bargain for an advance of just seven to 10 days. This cost is on top of the average \$246 for tax preparation and associated fees.

Additionally, some tax preparers who offer RALs this year are offering to include the anticipated 2008 tax rebates. Adding the anticipated rebate will increase the amount of the loan as well as the cost of it.

Goddard reminds consumers that the processing time for an electronic filing is about 10 days and the refund is almost always directly deposited into the consumer’s bank account at no cost. Consumers should not feel pressured to pay extra fees to get the refund a few days faster. Before agreeing to borrow money in anticipation of a tax refund, consumers should consider whether the extra cost is worth it.

A refund anticipation loan is a risky proposition because it must be repaid even if the taxpayer’s refund is denied, less than expected or frozen. If the taxpayer cannot pay back the RAL, the lender may send the account to a debt collector.

Goddard offered the following tips for obtaining tax refunds quickly and with little or no fees:

- Open a bank account – if you don’t currently have one – and take advantage of direct deposit for both your tax refund and your pay check. Many banks reduce or eliminate checking account fees when you have your pay check deposited directly to your checking account.

- File your tax return electronically (E-file) with the refund deposited directly into your bank account. You should receive your refund in a week to 10 days.
- If you elect to receive your tax refund through direct deposit, the IRS will automatically deposit the 2008 tax rebate into the same account. If you choose to receive a paper check, the IRS will automatically send the check to the same address.
- If you receive a paper check refund, avoid check-cashing offices, which charge fees. Cash your check at a bank instead.

March is Arizona Consumer Protection Month, and throughout the month Goddard is encouraging people to master the financial facts of life. Savvy consumers are likely to make smarter decisions about managing their money, using credit wisely and building a solid financial foundation.

Consumers can also find practical tips and information online at www.azag.gov.

If you believe you have been a victim of fraud, please contact the Attorney General's Office in Phoenix at 602.542.5763; in Tucson at 520.628.6504; or outside the Phoenix and Tucson metro areas at 1.800.352.8431. To file a complaint in person, the Attorney General's Office has 36 satellite offices throughout Arizona with volunteers available to help. Locations and hours are posted on the Attorney General's Web site at www.azag.gov. Please visit the Web site to sign up for scam alerts and weekly messages from Attorney General Goddard.

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